

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Irving
Barry County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2005

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Irving, Michigan**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Irving, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Irving, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Irving, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004.

The budgetary comparison information, on pages 14 through 15, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Irving, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

July 27, 2005

BASIC FINANCIAL STATEMENTS

Township of Irving
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 611,108
Receivables (net)	<u>38,774</u>
Total current assets	<u>649,882</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>178,765</u>
Total assets	<u>828,647</u>
LIABILITIES	
Current liabilities - payables	<u>50,806</u>
NET ASSETS	
Invested in capital assets	178,765
Restricted for:	
Public works	4,136
Public safety	51,485
Unrestricted	<u>543,455</u>
Total net assets	<u>\$ 777,841</u>

See notes to financial statements

Township of Irving
STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		<u>Program revenues</u>		<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 4,521	\$ -	\$ -	\$ (4,521)
General government	105,897	5,402	-	(100,495)
Public safety	113,463	-	-	(113,463)
Public works	<u>42,339</u>	<u>-</u>	<u>3,206</u>	<u>(39,133)</u>
Total governmental activities	<u>\$ 266,220</u>	<u>\$ 5,402</u>	<u>\$ 3,206</u>	<u>(257,612)</u>
General revenues:				
Property taxes				177,314
State shared revenue				154,732
Interest income				2,390
Other				<u>2,324</u>
Total general revenues				<u>336,760</u>
Change in net assets				79,148
Net assets - beginning				<u>698,693</u>
Net assets - ending				<u>\$ 777,841</u>

See notes to financial statements

Township of Irving
BALANCE SHEET - governmental funds

March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Total</u>
ASSETS			
Cash	\$ 517,959	\$ 93,149	\$ 611,108
Receivables	30,918	7,856	38,774
Due from other funds	-	1,264	1,264
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 548,877</u>	<u>\$ 102,269</u>	<u>\$ 651,146</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 22	\$ 50,784	\$ 50,806
Due to other funds	1,264	-	1,264
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,286</u>	<u>50,784</u>	<u>52,070</u>
Fund balances:			
Reserved for right-of-way expenditures	4,136	-	4,136
Unreserved:			
Designated for cemetery expenditures	20,488	-	20,488
Undesignated	522,967	51,485	574,452
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>547,591</u>	<u>51,485</u>	<u>599,076</u>
Total liabilities and fund balances	<u>\$ 548,877</u>	<u>\$ 102,269</u>	

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

178,765

Net assets of *governmental activities*

\$ 777,841

See notes to financial statements

Township of Irving**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds**

Year ended March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Total</u>
REVENUES			
Property taxes	\$ 87,334	\$ 93,898	\$ 181,232
State grants	157,938	-	157,938
Charges for services	1,484	-	1,484
Interest	2,263	127	2,390
Other	2,100	224	2,324
	<u>251,119</u>	<u>94,249</u>	<u>345,368</u>
Total revenues			
EXPENDITURES			
Legislative	4,521	-	4,521
General government	97,785	-	97,785
Public safety	-	113,463	113,463
Public works	65,424	-	65,424
Capital outlay	11,887	-	11,887
	<u>179,617</u>	<u>113,463</u>	<u>293,080</u>
Total expenditures			
NET CHANGE IN FUND BALANCES	71,502	(19,214)	52,288
FUND BALANCES - BEGINNING	<u>476,089</u>	<u>70,699</u>	<u>546,788</u>
FUND BALANCES - ENDING	<u>\$ 547,591</u>	<u>\$ 51,485</u>	<u>\$ 599,076</u>
Net change in fund balances - total governmental funds			\$ 52,288
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.			
Add - capital outlay			34,772
Deduct - depreciation expense			<u>(7,912)</u>
Change in net assets of <i>governmental activities</i>			<u>\$ 79,148</u>

See notes to financial statements

Township of Irving
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Irving, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Irving
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township public safety functions. Revenues are primarily derived from property taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Shared road costs	20 years

Township of Irving
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth the significant budget variance:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire	Public safety	Fire protection	\$ 92,537	\$ 113,463	\$ (20,926)

NOTE 3 - CASH:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township had deposits with a carrying amount of \$611,108 and a bank balance of \$611,136. Of the bank balance, \$188,345 is covered by federal depository insurance and \$422,791 is uninsured.

Township of Irving
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major funds are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 6,937	\$ 23,981	\$ 30,918
Fire	<u>7,856</u>	<u>-</u>	<u>7,856</u>
Totals	<u>\$ 14,793</u>	<u>\$ 23,981</u>	<u>\$ 38,774</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

All receivables are current and are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Buildings and improvements	\$ 175,588	\$ 8,800	\$ -	\$ 184,388
Equipment	19,421	1,672	(2,856)	18,237
Shared road costs	<u>-</u>	<u>24,300</u>	<u>-</u>	<u>24,300</u>
Subtotal	<u>195,009</u>	<u>34,772</u>	<u>(2,856)</u>	<u>226,925</u>
Less accumulated depreciation for:				
Buildings and improvements	26,074	5,381	-	31,455
Equipment	17,030	1,316	2,856	15,490
Shared road costs	<u>-</u>	<u>1,215</u>	<u>-</u>	<u>1,215</u>
Subtotal	<u>43,104</u>	<u>7,912</u>	<u>2,856</u>	<u>48,160</u>
Governmental activities capital assets, net	<u>\$ 151,905</u>	<u>\$ 26,860</u>	<u>\$ -</u>	<u>\$ 178,765</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 6,697
Public works	<u>1,215</u>
Total	<u>\$ 7,912</u>

Township of Irving
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

A summary of interfund balances at year-end follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Fire	\$ <u>1,264</u>	General	\$ <u>1,264</u>

NOTE 7 - JOINT VENTURE:

The Township, together with the Townships of Baltimore, Rutland, Carlton, and Hastings, has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967, known as the BIRCH Fire Department (the Department). Membership does not convey an economic interest. The organization agreement provides that the Department's activities are financed as follows:

Each Township shall pay an amount equal to an agreed millage rate, which shall be identical for all townships. Once the millage has been determined, the amount of money representing the millage in each township can be raised by any means available to each township and does not have to be spread upon the tax roll as an assessment.

The Township contributed \$23,108 to the Department during the fiscal year ended March 31, 2005.

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets as previously reported:	\$ 546,788
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>151,905</u>
Net assets, as restated	<u>\$ 698,693</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Irving
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 69,126	\$ 69,126	\$ 87,334	\$ 18,208
State grants	138,000	138,000	157,938	19,938
Charges for services	16,500	16,500	1,484	(15,016)
Interest	-	-	2,263	2,263
Other	-	-	2,100	2,100
Total revenues	<u>223,626</u>	<u>223,626</u>	<u>251,119</u>	<u>27,493</u>
EXPENDITURES				
Legislative	<u>4,200</u>	<u>4,522</u>	<u>4,521</u>	<u>1</u>
General government:				
Supervisor	10,000	10,766	10,765	1
Election	4,000	6,742	6,741	1
Assessor	24,500	27,959	27,959	-
Clerk	12,500	12,500	12,500	-
Board of review	1,300	1,300	1,058	242
Treasurer	17,000	17,000	13,971	3,029
Hall and grounds	7,000	7,000	3,176	3,824
Cemetery	11,500	11,500	7,872	3,628
Other	<u>16,700</u>	<u>18,951</u>	<u>13,743</u>	<u>5,208</u>
Total general government	<u>104,500</u>	<u>113,718</u>	<u>97,785</u>	<u>15,933</u>
Public works:				
Road construction and maintenance	72,500	72,500	64,429	8,071
Street lighting	<u>1,000</u>	<u>1,000</u>	<u>995</u>	<u>5</u>
Total public works	<u>73,500</u>	<u>73,500</u>	<u>65,424</u>	<u>8,076</u>
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>11,887</u>	<u>(1,887)</u>
Total expenditures	<u>192,200</u>	<u>201,740</u>	<u>179,617</u>	<u>22,123</u>
NET CHANGE IN FUND BALANCE	31,426	21,886	71,502	49,616
FUND BALANCE - BEGINNING	<u>476,089</u>	<u>476,089</u>	<u>476,089</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 507,515</u>	<u>\$ 497,975</u>	<u>\$ 547,591</u>	<u>\$ 49,616</u>

Township of Irving
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2005

	<i>Original budget</i>	<i>Amended budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES				
Property taxes	\$ 97,441	\$ 97,441	\$ 93,898	\$ (3,543)
Interest	-	-	127	127
Other	-	-	224	224
Total revenues	<u>97,441</u>	<u>97,441</u>	<u>94,249</u>	<u>(3,192)</u>
EXPENDITURES				
Public safety - fire protection	<u>92,537</u>	<u>92,537</u>	<u>113,463</u>	<u>(20,926)</u>
NET CHANGE IN FUND BALANCE	4,904	4,904	(19,214)	(24,118)
FUND BALANCE - BEGINNING	<u>70,699</u>	<u>70,699</u>	<u>70,699</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 75,603</u>	<u>\$ 75,603</u>	<u>\$ 51,485</u>	<u>\$ (24,118)</u>